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**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED**  
**GOVERNMENT OF LAFAYETTE, LOUISIANA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED OCTOBER 31, 2005 AND 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-10-06

# LAFAYETTE PUBLIC POWER AUTHORITY

## CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-7
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Assets .....	8
Statements of Revenues, Expenses and Changes in Fund Net Assets .....	9
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11-19
<b>SUPPORTING SCHEDULES</b>	
Schedule of Changes in Restricted Assets .....	21
Schedules of Operating Expenses .....	22
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	23-24
Schedule of Findings and Questioned Costs .....	25
Summary Schedule of Prior Year Findings .....	26
Management's Corrective Action Plan .....	27

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Lafayette Public Power Authority  
Lafayette, Louisiana

We have audited the accompanying basic financial statements of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the years ended October 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Lafayette Public Power Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:513 and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Lafayette Public Power Authority, as of October 31, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the Lafayette Public Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Lafayette Public Power Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, LLC*  
WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

January 20, 2006

# LAFAYETTE PUBLIC POWER AUTHORITY

## OCTOBER 31, 2005

### Management's Discussion and Analysis

Our discussion and analysis of the Lafayette Public Power Authority's (LPPA) financial performance provides an overview of LPPA's financial activities for the fiscal year ended October 31, 2005. It is designed to focus on the current year's activities, resulting changes, and currently known facts. Please read it in conjunction with LPPA's basic financial statements, which follow this section.

Lafayette Public Power Authority (LPPA), a component unit of the Lafayette City-Parish Consolidated Government (LCG), constitutes a legal entity separate and apart from LCG and was created for the purpose of generating, purchasing and selling electric power to, or exchanging electric power with, the City of Lafayette Utilities System (LUS) and others.

### FINANCIAL HIGHLIGHTS

- Assets of LPPA exceeded its liabilities at the close of the most recent fiscal year by \$15.8 million (*net assets*). Unrestricted fund net assets amount to \$25.2 million and may be used to meet ongoing operations and obligations.
- Long-term debt outstanding decreased as a result of scheduled payments of bond principal as well as the defeasance of \$4.8 million in 1993 Series Electric Refunding bonds.

### USING THIS ANNUAL REPORT

This report consists of Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. Management's Discussion and Analysis provides a narrative of LPPA's financial performance and activities for the year ended October 31, 2005. The basic financial statements provide readers with information about LPPA's activities and financial position, in a manner similar to private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- The Statement of Net Assets presents information on all of LPPA's assets and liabilities, with the difference between the two reported as net assets. Evaluating the changes (increases and decreases) in net assets over time may serve as a useful indicator of whether the financial position of LPPA is declining or improving.
- The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information on how LPPA's net assets changed during the most recent fiscal year. The statement uses the accrual basis of accounting, similar to that used by private-sector businesses. All revenues and expenses are reported regardless of the timing of when cash is received or paid.
- The Statement of Cash Flows presents information showing how LPPA's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

### FINANCIAL ANALYSIS OF LPPA AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Assets of the Lafayette Public Power Authority exceeded its liabilities at the close of the fiscal year by \$15,804,497 (*net assets*). The total net assets at October 31, 2005 remained fairly constant when compared to the prior year, noting a slight decrease of

\$59 thousand or .05%. The largest fluctuations noted within the Net Assets were a planned \$4.2 million decrease in coal inventory and an offsetting \$4.7 million decrease in long-term debt outstanding.

LPPA has a power sales contract with the City of Lafayette Utilities System (LUS) by which LPPA has sold and the City has purchased all of LPPA's electrical generating capacity of the Rodemacher Power Station #2. In accordance with the terms and conditions of the power sales contract, the City of Lafayette Utilities System is obligated to pay LPPA's monthly power costs, which include operational costs, debt service requirements, and any other deposit requirements of LPPA's bond ordinance. However, since revenues are recognized based upon billings on a cash basis, revenues and expenses for accounting purposes may not match. Net differences in the amounts currently billable and expensed are to be recovered from future revenues and are classified as Costs to be Recovered from Future Billings.

Total revenues for 2005 decreased \$3.2 million or 6% when compared to 2004, attributable to a significant decrease in Non-Operating revenues. In 2004, Non-Operating revenues were increased \$5.5 million from the sale of emission allowances. No such sales were present in 2005. The Non-operating revenues are illustrated in Table 2.

The largest expense of LPPA is that of Fuel Cost, which represents 59% of current year expenses. Fuel Cost is the cost of coal burned in the generation of electricity, and includes transportation and other costs. In 2005, the average cost per ton was \$32.44, which was \$3.32 more than the previous year's \$29.12 average per ton. LPPA's coal inventory at fiscal year end was \$4,799,441, representing 142,322 tons. The amount of coal burned for the year was 925,183 tons.

The following Table 1 reflects the comparative condensed Statement of Net Assets for 2004 and 2005.

Lafayette Public Power Authority  
Condensed Statement of Net Assets  
October 31, 2005

**Table 1**

**Assets**

	2005	2004	Increase (Decrease)	
Current Assets	\$ 21,049,379	\$ 20,673,354	\$ 376,025	1.82%
Restricted Assets	30,584,548	30,912,599	(328,051)	(1.06)%
Capital Assets (Net of Depreciation)	44,212,998	48,967,956	(4,754,958)	(9.71)%
Other Assets	931,594	4,348,292	(3,416,698)	(78.58)%
<b>Total Assets</b>	<b>\$ 96,778,519</b>	<b>\$104,902,201</b>	<b>\$ (8,132,682)</b>	<b>(7.74)%</b>

	2005	2004	Increase (Decrease)	
<b>Liabilities</b>				
Current Liabilities	\$ 698,479	\$ 284,682	\$ 413,797	14.54%
Other Liabilities	11,239,795	11,508,275	(268,480)	(2.33)%
Long term Debt Outstanding	69,035,748	77,246,139	(8,210,391)	(10.63)%
<b>Total Liabilities</b>	<b>\$ 80,974,022</b>	<b>\$ 89,039,096</b>	<b>\$ (8,065,074)</b>	<b>(9.06)%</b>
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	\$ (35,478,320)	\$ (39,118,771)	\$ 3,640,451	9.31%
Restricted for Debt Service	26,078,129	26,412,166	(334,037)	(1.26)%
Unrestricted	25,204,688	28,569,710	(3,365,022)	(11.78)%
<b>Total Net Assets</b>	<b>\$ 15,804,497</b>	<b>\$ 15,863,105</b>	<b>\$ (58,608.02)</b>	<b>0.05%</b>

The table below provides a summary of revenues and expenses for the year ended October 31, 2005:

Lafayette Public Power Authority Revenues by Category				
Revenue Category	2005		2004	
	Amount	% of Total	Amount	% of Total
Energy Sales	\$ 46,266,400	97.77%	\$ 44,566,751	88.09%
Non-Operating Revenues	1,056,135	2.23%	6,027,935	11.91%
<b>Total Revenues</b>	<b>\$ 47,322,535</b>	<b>100.00%</b>	<b>\$ 50,594,686</b>	<b>100.00%</b>

Expenses by Category				
Expense Category	2005		2004	
	Amount	% of Total	Amount	% of Total
Fuel (coal and gas)	\$ 28,009,286	59.11%	\$ 25,431,585	56.40%
Production (O & M)	5,454,738	11.51%	5,233,030	11.61%
Administrative & General	1,675,835	3.54%	1,327,792	2.94%
Depreciation	4,413,699	9.32%	4,409,088	9.78%
Other Non-Operating Expenses	7,827,585	16.52%	8,686,395	19.27%
<b>Total Expenses</b>	<b>\$ 47,381,143</b>	<b>100.00%</b>	<b>\$ 45,087,890</b>	<b>100.00%</b>

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Lafayette Public Power Authority's largest capital asset is its 50% ownership interest in the Rodemacher Power Station #2 located in Boyce, Louisiana. At the end of 2005, LPPA had \$44 million (net of depreciation) invested in capital assets, and the electric plant represents 99% of those assets. Other assets include vehicles, coal cars, land, and construction in progress. This year major additions were \$2,185,930 in electric plant improvements, which included \$1,840,860 for auto controls replacement.

### **Long-Term Debt**

At October 31, 2005, LPPA had total bonded debt outstanding of: \$21,100,000 of (2002 series) Electric Revenue Refunding Serial bonds, and \$61,210,000 of (2003 series) Electric Revenue Refunding Serial Bonds.

As of October 31, 2005, the LPPA Revenue Bonds are rated as follows:

	<b>Moody's Investors Service</b>	<b>Standard &amp; Poor's</b>
Insured Ratings	Aaa	AAA
Underlying Ratings	A3	A

Detailed information on LPPA's long-term debt can be found in Note E of the Notes to the Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

There are no significant changes projected in LPPA's rates or costs for the 2005 budget. Since the City of Lafayette Utilities System is LPPA's major customer and they share the same governing authority, their budget preparation processes run parallel to one another. Economic projections for LUS's electric kWh sales are conservative and based on historical growth trends. Wholesale electric sales are estimated based upon contracts in place at the time of budget preparation. For the 2005 budget, electric retail sales were projected to decrease 1.0%, and electric wholesale sales were projected to remain constant. Other economic indicators of the City of Lafayette are also considered, such as sales tax growth, unemployment rates, and residential and commercial permits. Economic factors considered were positive, but conservative estimates were included for budget purposes. LPPA sales projections are based upon 70% of LUS's kWh requirements.

## **CONTACTING THE LAFAYETTE PUBLIC POWER AUTHORITY FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Lafayette Public Power Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, Lafayette Public Power Authority, P.O. Box 4017-C, Lafayette, Louisiana 70502.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA**

**STATEMENTS OF NET ASSETS  
OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 11,251,626	\$ 8,803,274
Accounts Receivable:		
Due From City of Lafayette Utilities	3,476,656	1,384,654
Other Accounts Receivable	28,184	28,111
Accrued Interest Receivable	-	721
Inventory	<u>6,292,913</u>	<u>10,456,594</u>
Total Current Assets	<u>21,049,379</u>	<u>20,673,354</u>
<b>NON-CURRENT ASSETS</b>		
<b>RESTRICTED ASSETS</b>		
Cash with Paying Agent	11,239,795	11,508,275
Cash		
Bond Reserve	224,040	455,922
Reserve and Contingency	1,500,000	1,500,000
Fuel Cost Stability	16,319	4,500,000
Investments (Net of Unamortized Premiums and Discounts)		
Bond Reserve	13,049,294	12,910,220
Fuel Cost Stability	4,490,100	-
Accrued Interest Receivable		
Bond Reserve	65,000	37,605
Fuel Cost Stability	-	433
Reserve & Contingency	-	144
Total Restricted Assets	<u>30,584,548</u>	<u>30,912,599</u>
<b>DEFERRED CHARGES</b>		
Costs to be Recovered Through Future Billings	264,426	3,604,744
Preliminary Survey		
(Aluminum Railcars)	82,942	75,861
Unamortized Debt Expense	<u>584,226</u>	<u>667,687</u>
Total Deferred Charges	<u>931,594</u>	<u>4,348,292</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Plant in Service	151,867,708	150,365,371
Construction in Process	<u>467,184</u>	<u>2,301,033</u>
Total	152,334,892	152,666,404
Less: Accumulated Depreciation	<u>(108,121,894)</u>	<u>(103,698,448)</u>
Net Property, Plant and Equipment	<u>44,212,998</u>	<u>48,967,956</u>
 Total Non-Current Assets	 <u>75,729,140</u>	 <u>84,228,847</u>
 <b>TOTAL ASSETS</b>	 <u><b>\$ 96,778,519</b></u>	 <u><b>\$ 104,902,201</b></u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA**

**STATEMENTS OF NET ASSETS  
OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
 <b>LIABILITIES AND FUND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 696,161	\$ 283,649
Due to Lafayette Consolidated Government	<u>2,318</u>	<u>1,033</u>
Total Current Liabilities	<u>698,479</u>	<u>284,682</u>
 <b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Accrued Interest Payable	1,829,795	2,038,275
Current Portion of Revenue Bonds Payable	<u>9,410,000</u>	<u>9,470,000</u>
Total Current Liabilities Payable From Restricted Assets	<u>11,239,795</u>	<u>11,508,275</u>
 <b>NON-CURRENT LIABILITIES</b>		
Revenue Bonds Payable	72,900,000	82,310,000
Less: Unamortized Premium (Discount)	5,299,032	6,056,037
Less: Unamortized Loss on Reacquired Debt	<u>(9,163,284)</u>	<u>(11,119,898)</u>
Total Non-Current Liabilities	<u>69,035,748</u>	<u>77,246,139</u>
 <b>TOTAL LIABILITIES</b>	 <u><u>\$ 80,974,022</u></u>	 <u><u>\$ 89,039,096</u></u>
 <b>FUND NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ (35,478,320)	\$ (39,118,771)
Restricted for Debt Service	26,078,129	26,412,166
Unrestricted	<u>25,204,688</u>	<u>28,569,710</u>
 <b>TOTAL FUND NET ASSETS</b>	 <u><u>\$ 15,804,497</u></u>	 <u><u>\$ 15,863,105</u></u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Sales of Electric Energy-Lafayette Consolidated Government	\$ 46,266,400	\$ 44,566,751
<b>OPERATING EXPENSES</b>		
Production	33,308,159	30,499,231
Transmission	155,865	165,384
Administrative and General	1,675,835	1,327,792
Depreciation	4,898,900	4,906,874
Less: Depreciation to be Recovered From Future Billings	<u>(485,201)</u>	<u>(497,786)</u>
 Total Operating Expenses	 <u>39,553,558</u>	 <u>36,401,495</u>
 Operating Income	 <u>6,712,842</u>	 <u>8,165,256</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	924,447	350,154
Interest Expense	(2,555,658)	(2,978,980)
Amortization of Debt Expense	(83,461)	(113,739)
Amortization of Loss on Reacquired Debt	(1,956,614)	(1,779,122)
Loss on Disposition of Fixed Assets	(204,784)	(651,971)
Loss on Investments	(93,613)	(20,535)
Gain on Disposition of Allowance	131,688	5,677,781
Costs Recovered Through Billings to Lafayette Consolidated Government	(8,517,936)	(8,603,851)
Costs to be Recovered Through Future Billings to Lafayette Consolidated Government	<u>5,584,481</u>	<u>5,461,803</u>
 Total Non-Operating Revenues (Expenses)	 <u>(6,771,450)</u>	 <u>(2,658,460)</u>
<b>CHANGE IN FUND NET ASSETS</b>	(58,608)	5,506,796
<b>FUND NET ASSETS, BEGINNING OF YEAR</b>	<u>15,863,105</u>	<u>10,356,309</u>
<b>FUND NET ASSETS, END OF YEAR</b>	<u>\$ 15,804,497</u>	<u>\$ 15,863,105</u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Customers	\$ 44,174,325	\$ 48,213,089
Cash Paid to Suppliers	(34,726,062)	(36,118,853)
Cash Paid to Employees	(225,779)	(291,654)
Other Expenses (Revenues)	<u>5,629,172</u>	<u>5,882,407</u>
Net Cash Provided By Operating Activities	<u>14,851,656</u>	<u>17,684,989</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Disposal of Fixed Assets	3,355	134,237
Principal Payments	(9,470,000)	(9,080,000)
Interest Paid	(3,868,070)	(3,415,588)
Purchase of Survey	(7,081)	(20,954)
Purchase and Construction of Fixed Assets	<u>(352,081)</u>	<u>(702,334)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(13,693,877)</u>	<u>(13,084,639)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments-Net	(4,722,787)	209,547
Interest Received	897,629	370,178
Proceeds From Sale of Allowances	<u>131,688</u>	<u>5,677,781</u>
Net Cash Provided By (Used In) Investing Activities	<u>(3,693,470)</u>	<u>6,257,506</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>(2,535,691)</u>	<u>10,857,856</u>
Cash-Beginning of Year (Including Restricted Cash of \$17,964,197)	<u>26,767,471</u>	<u>15,909,615</u>
Cash-End of Year (Including Restricted Cash of \$12,980,154)	<u>\$ 24,231,780</u>	<u>\$ 26,767,471</u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>		
Operating Income	\$ 6,712,842	\$ 8,165,256
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	4,413,699	4,409,089
Debt Service on Coal Cars in Inventory	1,238,991	1,238,991
<b>Changes in Assets and Liabilities:</b>		
Accounts Receivable	(73)	(13,572)
Accrued Interest Receivable	721	(721)
Due From Other Governments	(2,090,717)	3,676,100
Inventory	4,163,681	1,373,333
Accounts Payable	<u>412,512</u>	<u>(1,163,487)</u>
Net Cash Provided By Operating Activities	<u>\$ 14,851,656</u>	<u>\$ 17,684,989</u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 AND 2004**

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity** - The Lafayette Public Power Authority (Authority) is a political subdivision of the State of Louisiana created for the purpose of planning, financing, constructing, acquiring, improving, operating, maintaining and managing public power projects or improvements solely or jointly with other public or private corporations and for the purpose of providing electric power for the City of Lafayette and others. The Authority constitutes a legal entity separate and apart from the Consolidated Government. The Consolidated Council of Lafayette is the governing authority, its Chief Executive Officer is the President of the Consolidated Government, its Managing Director is the Director of Utilities, and its Secretary is the Consolidated Government's Clerk.

The Authority, Central Louisiana Electric Company, Inc. (CLECO) and Louisiana Energy and Power Authority (LEPA) are parties to agreements governing the ownership and operation of the electric generating and transmission facilities. CLECO manages the construction and operation of the fossil fuel steam electric generating plant known as Rodemacher Unit No. 2. The project is owned jointly by the Authority (50%), CLECO (30%) and LEPA (20%). The financial information contained in these statements is only that of the Lafayette Public Power Authority.

The Authority entered into a power sales contract with the City of Lafayette on May 1, 1977. The City agreed to purchase and the Authority agreed to sell the "project capability," which is the amount of electric power and energy, if any, which the project is capable of generating, with certain limitations. The project is defined as the Authority's fifty percent (50%) ownership interest in the fossil fuel steam electric generating plant.

The Lafayette Public Power Authority, reported in these statements as a proprietary fund, prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB). GASB Statement No. 14 has defined the governmental reporting entity to be the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the Authority, a component unit of the Consolidated Government of Lafayette, Louisiana.

Annually the Consolidated Government of Lafayette, Louisiana issues general purpose financial statements which should include presentation of the activities contained in the accompanying financial statements.

**Basis of Accounting** - The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and are in conformity with generally accepted accounting principles (GAAP). Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statute 24:517 and to the guidelines set forth in the Louisiana Governmental Audit Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In those situations, the Authority followed the FERC guidance, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.

The Authority maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005 AND 2004**

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Accounting- continued**

On November 1, 2001, the Authority adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments.*" Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows. It requires the classification of fund net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

**Costs to be Recovered from Future Billings** - The power sales contract with the City of Lafayette provides for billings to the City for output and services of the project to provide for payment of current operating expenses, payment of debt principal and interest (debt service) and deposits in certain funds, all in compliance with the Bond resolutions. Prior net costs in excess of the amounts billable to the City are being recovered from current and future project revenues and are classified as a deferred charge. These net costs principally included depreciation of the utility plant in excess of debt principal billed to the City and certain interest charges and credits not currently reflected in the billings to the City. The net amount of costs recovered for the years ended October 31, 2005 and 2004 were \$2,933,455 and \$3,142,048, respectively.

**Property and Equipment** - Property and equipment are recorded at cost and include direct and overhead costs and the costs of funds borrowed by the Authority and used for construction purposes.

Depreciation of property and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Vehicles	8
Coal Cars	27
General Plant	40
Production Plant	31
Other	15

**Investments** - Investments are shown at fair value; except that U.S. Treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 AND 2004**

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Investments** - Under State law, the Authority may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in the State of Louisiana. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments meeting the criteria specified in the Statement are stated at fair value, which is either a quoted market price or the best estimate available. Investments which do not meet the requirements are stated at cost. These investments include overnight repurchase agreements. U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are shown at amortized cost.

**Inventory** - Coal Inventory is stated at the lower of cost or market as determined by the average cost method. Coal inventory amounted to \$4,744,493 representing 142,322 tons at October 31, 2005 and \$8,973,572 representing 304,285 tons at October 31, 2004.

The spare parts and supplies inventory is stated at the lower of cost or market as determined by the average cost method and amounted to \$1,548,420 and \$1,483,022 at October 31, 2005 and 2004, respectively.

**Unamortized Debt Expense** - Debt expense incurred at bond issuance is capitalized and amortized over the life of the bonds using the sum of the bonds outstanding method.

**Unamortized Loss on Reacquired Debt** - Losses incurred upon refunding of debt are treated as deferred charges and amortized over the life of the new bonds issued.

**Electric Revenue Bonds** - Bonds outstanding are stated at face value less unamortized discount and unamortized loss on reacquired debt. The discount is amortized over the life of the bonds using the sum of the bonds outstanding method.

**Salaries and Related Expenses** - The Authority reimburses the Consolidated Government for salaries, benefits and related expenses of Consolidated Government employees who perform duties for LPPA. The Authority does not accrue a liability for vacation and sick-time benefits because it has no employees of its own. The Authority is not liable for compensated absences of employees of the Consolidated Government or CLECO who are associated with LPPA.

**Cash Flows** - For purposes of the Statements of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(B) CASH AND INVESTMENTS**

Cash and investments include bank balances and investments that at the balance sheet date were entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash balances are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Authority has no custodial credit risk associated with these deposits.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005 and 2004**

**(B) CASH AND INVESTMENTS - Continued**

During the years ended October 31, 2005 and 2004, the Authority realized no gain or loss from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The decrease in the fair value of investments during the years ended October 31, 2005 and 2004 was \$93,613 and \$20,535, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain (loss) on investments held at October 31, 2005 and 2004 was \$(143,500) and \$(49,887), respectively.

As of October 31, 2005, the Authority had the following investments and maturities:

Investment Type	Percentage of Portfolio	Fair Value	Investment Maturities	
			Less than 1 year	1-5 Years
Treasury Bills	2%	\$ 397,622	\$ 397,622	\$ -
FNMA	26%	\$ 4,490,100	\$ 4,490,100	
FHLMC	72%	12,651,672	-	12,651,672
Total	<u>100%</u>	<u>\$ 17,539,394</u>	<u>\$ 4,887,722</u>	<u>\$ 12,651,672</u>

As a component unit of the Consolidated Government of Lafayette, Louisiana, the Authority follows the Cash Management Rules and Guidelines of the Lafayette City-Parish Consolidated Government. Following are the risks associated with these rules and guidelines.

**Interest Rate Risk:** As a means of limiting its exposure to fair-value losses arising from rising interest rates, the Authority's investment policy limits the investment portfolio to "money market instruments", which are defined as very creditworthy, highly liquid investments with maturities of one year or less. Although there may be certain circumstances in which longer-term securities are utilized, the general use of long-term securities shall be avoided.

**Credit Risk:** The Authority's Investment Policy limits investments to fully insured and/or fully-collateralized certificates of deposits and direct and indirect obligations of U.S. government agencies. At October 31, 2005, the Authority's investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (as noted on the above chart) were both rated AAA by Standard and Poor's and Aaa by Moody's Investment Service.

**Concentration of Credit Risk:** The Authority's investment policy limits the Authority's investment instruments to: 1) Certificates of Deposit; 2) Certain direct obligations of the US Government; 3) Other "direct obligations" of the US Government; and, 4) Obligations of certain US Government Agencies. More than 5 percent of the Authority's investments are obligations of Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 26% and 72% respectively, of the Authority's total investments.

**(C) FLOW OF FUNDS: RESTRICTIONS ON USE**

Under the terms of the ordinance authorizing and providing for the issuance of electric revenue bonds of the Authority to finance the acquisition of an ownership interest in a fossil fuel steam electric generating plant and for other purposes relating thereto, the bonds are special obligations of the Authority payable solely from and secured by the revenues and other funds including bond proceeds. Such revenues consist of all income, fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the fossil fuel steam electric generating plant, other than certain money derived during the period of construction.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005 and 2004**

**(C) FLOW OF FUNDS: RESTRICTIONS ON USE - continued**

Money in the revenue fund shall be first applied to the payment of operating expenses of the plant, exclusive of depreciation and amortization. Money in the revenue fund shall then be deposited into the bond fund to pay principal and premium, if any, and interest on all bonds as they become due and payable and then applied to maintain in the bond fund reserve account an amount equal to the maximum annual debt service requirement on all bonds (initially funded from bond proceeds). After making the required payments into the operating account and bond fund, there shall be paid out of the revenue fund into the reserve and contingency fund an amount equal to \$1,500,000 or such greater amount as may be determined by the consulting engineer; provided that there shall not be required to be paid therein during any month an amount in excess of twenty-five percent (25%) of the amounts required to be paid during such month to the bond fund.

If on any October 31st following the date of commercial operation, the monies credited (or to be credited as of such date) to the revenue fund shall exceed the Authority's required amount of working capital for the operations of the plant, the amount of such excess shall be applied by the Authority (i) to reduce monthly power costs to the City of Lafayette under the power sales contract; (ii) to pay the cost of making repairs, renewals and replacements, additions, betterments and improvements to and extensions of the plant operations; (iii) to the purchase or redemption of bonds; (iv) to any other purpose in connection with the plant operation; or, (v) to any other lawful purpose of the Authority, including the payment of subordinated indebtedness.

The fuel cost stability fund was established to allow level billings to the retail customer when the generating plant is out of service for a period of seven days or more. In those instances, a credit may be applied to the monthly power bill to the City of Lafayette. When the unit has been returned to operation, the funds, which were applied as a credit, are recovered by application of a surcharge to restore the fund balance over a reasonable period of time.

The reserve and contingency cash balance at October 31, 2005 and 2004 was \$1,500,000 and \$1,500,000, respectively.

**(D) PROPERTY AND EQUIPMENT**

The following is a summary of changes in property and equipment:

	Beginning Balance 10/31/2004	Additions	Deletions	Ending Balance 10/31/2005
Vehicles	\$ 750,379	\$ -	\$ -	\$ 750,379
Coal Cars	13,099,366	-	-	13,099,366
Electric Plant	136,313,662	2,185,930	(683,593)	137,815,999
	150,163,407	2,185,930	(683,593)	151,665,744
Less: Accumulated Depreciation	(103,698,448)	(4,898,899)	475,453	(108,121,894)
Net Property and Equipment	\$ 46,464,959	\$ (2,712,969)	\$ (208,140)	\$ 43,543,850
Land	\$ 201,964	\$ -	\$ -	\$ 201,964
Construction Work in Progress	\$ 2,301,033	\$ 352,081	\$ (2,185,930)	\$ 467,184

Depreciation expense for the years ended October 31, 2005 and 2004 was \$4,898,900 and \$4,906,874, respectively.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 and 2004**

**(E) ELECTRIC REVENUE BONDS**

The following is a summary of the electric revenue bonds transactions for the year ended October 31, 2005:

	Balance 11/1/2004	Additions	Reductions	Balance 10/31/2005	Due Within One Year
Serial Bond - 1993	\$ 4,770,000	\$ -	\$ 4,770,000	\$ -	\$ -
Serial Bond - 2002	25,800,000	-	4,700,000	21,100,000	4,925,000
Serial Bond - 2003	<u>61,210,000</u>	<u>-</u>	<u>-</u>	<u>61,210,000</u>	<u>4,485,000</u>

The Authority issues bonds where it pledges project power revenues, after payment of operating expenses, as well as assets of the Authority, as established by ordinance. Revenue bonds outstanding at October 31, 2005 and 2004, are as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>2005</u>	<u>2004</u>
Electric Revenue Refunding Serial Bonds Series 1993 2.80%-5.25%	12/01/93	\$ -	\$ 4,770,000
Electric Revenue Refunding Serial Bonds Series 2002 2.85%-4.00%	09/01/02	21,100,000	25,800,000
Electric Revenue Refunding Serial Bonds Series 2003 5.00%	08/04/03	<u>61,210,000</u>	<u>61,210,000</u>
Total Principal Outstanding on Revenue Bonds		82,310,000	91,780,000
Unamortized Bond Premium (Discount)		5,299,032	6,056,037
Unamortized Loss on Refunding		<u>(9,163,284)</u>	<u>(11,119,898)</u>
Net Revenue Bonds Outstanding		<u>\$78,445,748</u>	<u>\$ 86,716,139</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Years Ending October 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 9,410,000	\$ 3,493,290	\$12,903,290
2007	9,785,000	3,144,411	12,929,411
2008	10,215,000	2,762,734	12,977,734
2009	10,660,000	2,307,170	12,967,170
2010	11,230,000	1,778,945	13,008,945
2011 - 2013	<u>31,010,000</u>	<u>2,005,983</u>	<u>33,015,983</u>
	<u>\$82,310,000</u>	<u>\$15,492,533</u>	<u>\$97,802,533</u>

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 and 2004**

**(E) ELECTRIC REVENUE BONDS – Continued**

**Prior Year Refunding**

On August 4, 2003, the Authority issued \$61,210,000 of Electric Revenue Refunding Bonds dated August 4, 2003, with an interest rate of 5.00 percent to advance refund \$66,400,000 of outstanding 1993 Series bonds with an interest rate ranging from 2.80 to 5.25 percent. The net proceeds of 67,638,981 (after premiums of \$7,393,484 and payment of 964,503 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,636,481 of 1993 Series bonds sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series bonds. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The 1993 Series bonds were called on the optional call date of November 1, 2004, for a partial legal defeasance.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,989,680. The difference, reported in the accompanying financial statements as a deduction from bonds payable, and will be charged to operations through the year 2012. There has been no amortization of the loss as of October 31, 2005 since bond repayment has not commenced. The unamortized loss at October 31, 2005 and 2004 was \$3,989,680. The government completed the advance refunding to reduce its total debt service payments over the next nine years by \$6,478,124 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,732,007.

On September 12, 2002, the Authority issued \$30,340,000 of Electric Revenue Refunding Bonds dated September 1, 2002, with interest rates ranging from 2.85 to 4.00 percent to advance refund \$29,855,000 of outstanding 1996 Series bonds with an interest rate ranging from 3.70 to 5.25 percent. The net proceeds of \$30,121,607 (after premiums of \$223,760 and payment of \$442,153 in underwriting fees, insurance, and other issuance costs) plus an additional \$736,943 of 1996 Series bonds sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 Series bonds. As a result, the 1996 Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The 1996 Series bonds were called on the optional call date of November 1, 2002, for a complete legal defeasance.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,252,646. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2012. The loss amortization for the years ended October 31, 2005 and 2004 was \$ 1,588,248 and \$1,366,103, respectively. The remaining unamortized loss at October 31, 2005 and 2004 was \$7,130,218 and \$8,718,466, respectively. The government completed the advance refunding to reduce its total debt service payments over the next 10 years by \$2,260,203 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,779,886.

On September 5, 1996, the Authority issued \$50,910,000 in Electric Revenue Refunding Bonds dated August 1, 1996. The bond proceeds were used to refund in advance of maturity \$48,530,000 of its 1987 Series Electric Revenue Refunding Bonds. The 1987 bonds, which were defeased by the 1996 refunding issue, were called on November 1, 1997. Therefore, no bonds refunded by the 1996 issue are still outstanding.

The 1996 refunding resulted in a loss of \$3,419,616, which was being amortized over the life of the newly issued bonds. As of October 31, 2002, the 1996 bonds were considered defeased, and the unamortized loss was removed.

**LAFAYETTE PUBLIC POWER AUTHORITY**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF**  
**LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005 and 2004**

**(E) ELECTRIC REVENUE BONDS – Continued**

**Prior Year Refunding**

On December 14, 1993, the Authority issued \$112,525,000 in Electric Revenue Refunding Bonds dated December 1, 1993. The bond proceeds were used to refund in advance of maturity, \$77,730,000 of its 1977 Series Bonds, \$3,525,000 of the Series 1980 Refunding Bonds, and \$25,265,000 Series 1987 Refunding Bonds. All outstanding 1977 and 1980 Bonds were called on February 1, 1994. All 1987 bonds which were defeased by the 1993 refunding issue were called on November 1, 1997. Therefore, no bonds refunded by the 1993 issue are still outstanding.

The 1993 refunding resulted in a loss of \$6,473,016, which is being amortized over the life of the newly issued bonds. On August 4, 2003, \$66,400,000 of the Authority's outstanding 1993 Series Bonds were considered defeased, and a proportionate amount of the unamortized refunding loss was written off to calculate the loss on the 2003 Series Bond issue. The balance of unamortized loss at October 31, 2005 and 2004 was \$-0- and \$190,875, respectively. The loss amortization for the years ended October 31, 2005 and 2004 was \$190,875 and \$302,484, respectively.

**(F) RECONCILIATION OF INCOME WITH BILLINGS**

Pursuant to Section 7.2 of its bond ordinance, Lafayette Public Power Authority is required to fix, establish, maintain and collect sufficient rates and charges to pay all costs of operations and maintenance, repairs, renewals and replacements, debt service installments and deposits into the bond reserve account and the bond reserve and contingency fund. Further, the power sales contract with the City of Lafayette provides that the components of the billing to the City includes all such costs and deposit requirements and also include a credit for all receipts from other sources.

Because of the differences between receipts and costs for billing purposes and revenues and expenses for statement presentation, the Statement of Revenues and Expenses might reflect a net income or loss for the year even though the authority was in compliance with all provisions of the bond covenant. For example, for statement presentation, the cost of capital items are billed and included as revenue from the City of Lafayette, but are shown as an asset rather than an expense. Similarly, some items considered as receipts for billing purposes are not treated as revenues for accounting purposes.

The following is a reconciliation of net income (loss) with billings for the years ended October 31, 2004 and 2003:

	<u>2005</u>	<u>2004</u>
Billing charges not treated as expenses for accounting purposes:		
Capital Expenditures	\$ 352,081	\$ 702,334
Accounting expenses not treated as charges for billing purposes:		
Principal (net of Coal Cars)	8,517,936	8,603,857
Depreciation	(4,413,699)	(4,409,089)
Cost to be Recovered	(2,933,455)	(3,142,048)
Amortization of:		
Debt Issue Expense	(83,461)	(113,739)
(Loss) on Reacquired Debt	(1,956,614)	(1,779,122)
SO2 Allowance Sales Retained	-	5,625,000
Interest Reduction Credit	-	12,507
Bond (Premium) Discount	757,001	679,600
Unrealized Gain/Loss on Investment	(93,613)	(20,535)
Gain/Loss on Disposition of Property	<u>(204,784)</u>	<u>(651,971)</u>
Net Income (Loss)	<u>\$ (58,608)</u>	<u>\$ 790,467</u>

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2005 and 2004**

**(G) COMMITMENTS AND CONTINGENCIES**

**Coal Purchase Commitment**

On July 28, 2004, the Authority entered into a contract extension, as it relates to the Master Coal Purchase and Sale Agreement entered into dated December 11, 2002. Under the contract and subsequent extension, the Authority will purchase from the contracted party its share of coal used in producing power at the Rodemacher Unit No. 2 facility. The purchase contract extension is for the delivery of 3,000,000 tons of coal in total of which the Authority has a fifty percent (50%) interest. Therefore, the Authority has contracted to purchase a minimum of 1,500,000 tons over the two-year term of the contract extension. Annual amounts are subject to increase or decrease by up to ten percent (10%).

The term of the contract and annual quantities to be purchased are as follows:

Calendar Year	Annual Quantity	Committed Cost	Purchase Commitment
2005	750,000	\$6.30	\$4,750,000
2006	<u>750,000</u>	6.70	<u>5,025,000</u>
Total	<u>1,500,000</u>		<u>\$9,775,000</u>

**(H) LITIGATION**

There is no litigation pending against the Authority at October 31, 2005.

**(I) RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority, through its agreement with CLECO is insured to reduce the exposure to these risks.

**(J) RELATED PARTY TRANSACTIONS**

The Consolidated Government of Lafayette, Louisiana provides management and administrative support functions to the Authority in exchange for a fee. The amount charged to the Authority for these services the years ended October 31, 2005 and 2004 amounted to \$225,779 and \$291,654 respectively. As of October 31, 2005 and 2004, the Authority owed the Consolidated Government of Lafayette, Louisiana \$2,318 and \$1,033, respectively.

The Authority sells electric power to the City of Lafayette Utilities System Fund (LUS). Amounts billed to LUS for electric power sales for the years ended October 31, 2005 and 2004 were \$46,266,400 and \$44,566,751 respectively. As of October 31, 2005 and 2004, LUS owed the Authority \$3,476,656 and \$1,384,654 respectively.

**(K) CONCENTRATIONS**

The Authority, in accordance with its power sales contract disclosed in Note (A), currently sells all of its electric power generated to the City of Lafayette Utilities System. Should the City of Lafayette seek other possible sources of electricity, the Authority, through its 50% ownership of the Rodemacher Unit No. 2, could conceivably offer power to other interested purchasers.

## **SUPPORTING SCHEDULES**

LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA

SCHEDULE OF CHANGES IN RESTRICTED ASSETS  
FOR THE YEAR ENDED OCTOBER 31, 2005

	CASH WITH PAYING AGENT	BOND RESERVE FUND	BOND INTEREST FUND	RESERVE AND CONTINGENCY FUND	FUEL COST STABILITY FUND	TOTAL
<b>RESTRICTED CASH AND CASH EQUIVALENTS OCTOBER 31, 2004</b>	\$ 11,508,275	\$ 455,922	\$ -	\$ 1,500,000	\$ 4,500,000	\$ 17,964,197
<b>CASH RECEIPTS</b>						
Interest Received	-	293,869	167,523	42,651	115,262	619,305
Other Receipts	-	-	-	-	-	-
<b>CASH DISBURSEMENTS</b>						
Purchased Investments	-	(218,270)	-	-	(4,483,681)	(4,701,951)
Principal Paid on Bonds	(9,470,000)	-	-	-	-	(9,470,000)
Interest Paid on Bonds	(3,868,070)	-	-	-	-	(3,868,070)
<b>TRANSFERS AMONG FUNDS</b>						
Transfers From Bond Interest and Principal Fund	13,069,590	-	-	-	-	13,069,590
Transfers From Operating	-	-	12,507	-	-	12,507
Transfers From Revenue Fund	-	-	13,057,083	-	-	13,057,083
Transfers to Paying Agent	-	-	(13,069,590)	-	-	(13,069,590)
Transfers to Revenue Fund - Interest	-	(293,869)	(167,523)	(42,651)	(115,262)	(619,305)
Transfers to Operating	-	-	-	-	-	-
Transfers to Revenue - Other	-	(13,612)	-	-	-	(13,612)
<b>RESTRICTED CASH AND CASH EQUIVALENTS OCTOBER 31, 2005</b>	<u>11,239,795</u>	<u>224,040</u>	<u>-</u>	<u>1,500,000</u>	<u>16,319</u>	<u>12,980,154</u>
<b>RESTRICTED INVESTMENTS AND ACCRUED INTEREST OCTOBER 31, 2004</b>						
PURCHASES IN EXCESS OF MATURITIES (AT PAR)	-	12,947,825	-	144	433	12,948,402
INCREASE (DECREASE) ACCRUED INTEREST RECEIVABLE	-	240,000	-	-	4,500,000	4,740,000
INCREASE (DECREASE) FAIR VALUE	-	27,395	-	(144)	(433)	26,818
DECREASE (INCREASE) UNAMORTIZED DISCOUNT	-	(93,510)	-	-	(109)	(93,619)
INCREASE (DECREASE) UNAMORTIZED PREMIUM	-	(42,539)	-	-	(9,791)	(52,330)
<b>RESTRICTED INVESTMENTS AND ACCRUED INTEREST OCTOBER 31, 2005</b>	<u>-</u>	<u>35,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,123</u>
<b>TOTAL RESTRICTED CASH, INVESTMENTS, AND ACCRUED INTEREST AT OCTOBER 31, 2005</b>	<u>\$ 11,239,795</u>	<u>\$ 13,338,334</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 4,506,419</u>	<u>\$ 30,584,548</u>

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT  
OF LAFAYETTE, LOUISIANA**

**SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED OCTOBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>PRODUCTION</b>		
Steam Power Generation-Operation		
Supervision	\$ 325,445	\$ 286,756
Fuel Expense	28,009,286	25,431,585
Steam Expense	900,273	697,660
Electric Expense	333,213	288,759
Miscellaneous	369,447	358,339
Total	<u>29,937,664</u>	<u>27,063,099</u>
Steam Power Generation-Maintenance		
Supervision and Engineering	291,068	313,598
Structures	142,859	155,484
Boiler Plant	1,942,065	1,821,515
Electric Plant	137,297	266,163
Miscellaneous Steam Plant	467,608	643,474
Total	<u>2,980,897</u>	<u>3,200,234</u>
Other Power Generation-Operation		
Auxiliary Power and EPA Allowances	<u>389,598</u>	<u>235,897</u>
Total Production Expenses	<u>\$ 33,308,159</u>	<u>\$ 30,499,230</u>
<b>TRANSMISSION</b>		
Load Dispatching Expenses	<u>\$ 155,865</u>	<u>\$ 165,384</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Administrative and General Salaries	\$ 225,779	\$ 291,654
Miscellaneous General Expense	67,503	72,227
Administrative and General Expenses	1,107,207	654,205
Outside Services Employed	107,899	97,802
Paying Agent Fees	1,200	1,200
Property Insurance	166,247	210,704
Total Administrative and General Expenses	<u>\$ 1,675,835</u>	<u>\$ 1,327,792</u>
<b>DEPRECIATION EXPENSE (NET)</b>	<u>\$ 4,413,699</u>	<u>\$ 4,409,089</u>

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Lafayette Public Power Authority  
Lafayette Parish, Louisiana

We have audited the financial statements of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended October 31, 2005, and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lafayette Public Power Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lafayette Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management and Board of Commissioners of the Lafayette Public Power Authority and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

January 20, 2006

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED OCTOBER 31, 2005**

We have audited the financial statements of Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana as of and for the year ended October 31, 2005, and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements of October 31, 2005 resulted in an unqualified opinion.

**Section I – Summary of Auditors’ Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses    ☐ Yes            ☒ No  
Reportable Conditions   ☐ Yes            ☒ No

Compliance

Compliance Material to Financial Statements    ☐ Yes    ☒ No

**Section II – Financial Statement Findings**

There were no current year findings.

**Section III – Federal Award Findings and Questioned Costs.**

This section is not applicable for the year ended October 31, 2005.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED OCTOBER 31, 2005**

There were no prior year findings.

**LAFAYETTE PUBLIC POWER AUTHORITY  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED OCTOBER 31, 2005**

No current year findings were noted, therefore, no response is deemed necessary.